RJR

INTER-OFFICE MEMORANDUM

JAN 27 1993

CONFIDENTIAL

January 22, 1993

TO: Mr. J. W. Best
Mr. L. Birlin
Mr. P. J. Cundari, Jr.
[redacted]
Mr. S. G. Hanes
Mr. E. M. McAtee

RE: ***FP PROMOTIONAL ACTIVITY IN 1993***

Attached are schedules that show dollars, PV and % volume promoted by quarter for total FP brands and each individual brand. Each quarter is compared to the average quarter in 1992. Q1 and Q2 are actuals based on finalized plans, while Q3 and Q4 are estimates and could change depending upon field menu selections and non-retail promotion changes that may occur.

Some important points to register:

1) Excluding continuity, total working promotion spending by FP brands is down $63MM or 11% while our % volume promoted increased by 7%. When adding continuity (C-Cash, W-Weekends, etc.), the result is even more impressive.

	PROMOTIONAL ACTIVITY			
	$		% Volume Promoted	
	Total Ex. Cont.	Total with Cont.	Total Ex. Cont.	Total with Cont.
1992	$592.8	$ 777.2	23.4%	34.7%
1993	529.5	663.9	25.0%	38.0%
Change				
$/Pts.	($63.3)	($113.3)	+1.6	+3.3
%	-11%	-15%	+7%	+10%

We have been able to achieve these efficiencies by cutting back on more expensive premium promotions in favor of coupons/buy-downs, working costs hard and improving the efficiencies of continuity programs. This is evident from the cost per carton comparisons on the attached charts.

2) Promotional weight is heaviest in the First Quarter when we expect the highest competitive activity following the FET increase.

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Source: https://www.industrydocuments.ucsf.edu/docs/xrvn0000

3) On each of our core brands, % volume promoted is higher in 1993 vs 1992, **not including continuity**. We have a very solid base plan in place, and continuity serves as efficient, added protection.

	% VOL. PROMO. (Ex. Cont.)		
	WINSTON	SALEM	CAMEL
1992	26.5%	20.1%	17.2%
1993	26.8%	27.5%	19.0%
% Change	+1.7%	+37%	+10%

This information gives you a good national overview of activity. We are working to break this down by area and provide it to each of you within the next 30 days. Also included would be a description of direct marketing and media-delivered activity that will be flowing into your markets.

Additionally, we are working on providing similar information down to the regional level. It will require more time to compile, but we are trying to get it out as soon as possible.

Finally, as a result of the recent inventory survey, it would appear that FP selling rates may be lower than Plan levels. While we have not yet finalized a revision to Op Plan objectives, our best rough estimate would reduce FP volume from 83.2 b.u. in the Plan to 80.0 b.u. with all of the difference coming from WINSTON and SALEM. A change of this magnitude has obvious implications for brand spending and % volume promoted. We are reevaluating our plans and may be making adjustments in 2nd Half planned spending.

I hope this helps to put into perspective our FP promotional activity in 1993. If you have any questions on this, please give me a call.

D. N. Iauco

DNI/as

Attachments

cc: Mr. Y. W. Ford, Jr.
Mr. R. M. Sanders
Mr. J. C. Schroer

Source: https://www.industrydocuments.ucsf.edu/docs/xrvn0000

PROMOTION SPENDING COMPARISON

Average '92 Quarterly Spending vs Planned 1993 Quarterly Spending

TOTAL FULL PRICE	Total $					PV					% Volume Prom'd*				
	Avg '92 Qtr	Q1/93	Q2/93	Q3/93	Q4/93	Avg '92 Qtr	Q1/93	Q2/93	Q3/93	Q4/93	Avg '92 Qtr	Q1/93	Q2/93	Q3/93	Q4/93
Retail Promotion:															
Premiums	$60.1	$33.1	$26.6	$25.2	$15.9	1,266	791	593	607	377	5.3%	3.9%	2.8%	2.9%	1.9%
BSGSF	12.6	13.7	17.1	8.4	19.1	821	750	759	458	987	3.5%	3.7%	3.5%	2.2%	4.9%
Coupons	49.5	69.9	54.5	51.0	41.4	2,608	3,174	2,422	2,217	1,809	11.0%	15.7%	11.3%	10.5%	8.9%
Total Retail	122.2	116.7	98.3	84.5	76.4	4,695	4,714	3,774	3,282	3,173	19.8%	23.4%	17.6%	15.5%	15.7%
Direct Marketing**	18.1	29.2	16.8	28.4	24.8	449	882	658	859	723	1.9%	4.4%	3.1%	4.1%	3.6%
12/92 DM Price Increase Response**		5.7					227					1.1%			
Media Delivered	7.9	13.1	19.0	7.9	8.8	412	745	800	445	431	1.7%	3.7%	3.7%	2.1%	2.1%
Total Working Promotion (ex Cont)	148.2	164.7	134.1	120.7	110.0	5,556	6,568	5,232	4,586	4,327	23.4%	32.6%	24.4%	21.7%	21.4%
Continuity	46.1	22.0	31.9	40.3	40.1	2,675	1,357	2,150	3,579	3,721	11.3%	6.7%	10.0%	16.9%	18.4%
Total Working Promotion (Incl Cont)	$194.3	$186.7	$166.0	$161.1	$150.1	8,231	7,925	7,382	8,165	8,048	34.7%	39.3%	34.4%	38.6%	39.8%
Cost per Carton (ex Cont)	$5.33	$5.01	$5.13	$5.27	$5.08										
Cost per Carton (Incl Cont)	$4.72	$4.71	$4.50	$3.95	$3.73										
* Based on Consumption Volume											23,735	20,162	21,460	21,144	20,232
Projected % of Annual (ex Cont)		31.1%	25.3%	22.8%	20.8%		31.7%	25.3%	22.1%	20.9%					
Projected 1st & 2nd Half % of Annual			56.4%		43.6%			57.0%		43.0%					
Projected % of Annual (Incl Cont)		28.1%	25.0%	24.3%	22.6%		25.1%	23.4%	25.9%	25.5%					
Projected 1st & 2nd Half % of Annual			53.1%		46.9%			48.6%		51.4%					

** 1992 Spending and PV associated with 12/92 Direct Marketing Price Increase response are included in Q1/93 and excluded from 1992, reflecting expected timing of program impact. Q3 and Q4 represent top-line estimates; actual PV and % Promoted will be based on selections from field for Q3 & Q4.

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Source: https://www.industrydocuments.ucsf.edu/docs/xrvn0000

PROMOTION SPENDING COMPARISON

Average '92 Quarterly Spending vs Planned 1993 Quarterly Spending

WINSTON	Total $					PV					% Volume Prom'd*				
	Avg '92 Qtr	Q1/93	Q2/93	Q3/93	Q4/93	Avg '92 Qtr	Q1/93	Q2/93	Q3/93	Q4/93	Avg '92 Qtr	Q1/93	Q2/93	Q3/93	Q4/93
Retail Promotion:															
Premiums	$26.0	$8.3	$9.4	$9.3	$7.9	591	180	205	203	172	6.8%	2.5%	2.7%	2.7%	2.3%
BSGSF	5.0	12.2	4.0	5.4	6.2	367	640	220	297	341	4.2%	8.9%	2.9%	4.0%	4.6%
Coupons	20.7	28.9	26.1	24.6	19.2	1,152	1,265	1,139	1,074	838	13.3%	17.6%	14.9%	14.3%	11.4%
Total Retail	51.7	49.4	39.5	39.3	33.3	2,110	2,085	1,564	1,574	1,351	24.4%	28.9%	20.5%	21.0%	18.3%
Direct Marketing**	8.5	6.8	3.2	12.6	12.4	157	290	180	360	350	1.8%	4.0%	2.4%	4.8%	4.7%
12/92 DM Price Increase Response**		2.3					91					1.3%			
Media Delivered	0.9	1.0	0.3	0.3	0.4	22	55	20	20	27	0.3%	0.8%	0.3%	0.3%	0.4%
Total Working Promotion (ex Cont)	61.1	59.5	43.0	52.2	46.1	2,289	2,521	1,764	1,954	1,728	26.5%	35.0%	23.1%	26.1%	23.4%
Continuity	13.4	0.3	4.8	24.3	24.1	478		640	1,700	1,800	5.5%		8.4%	22.7%	24.4%
Total Working Promotion (Incl Cont)	$74.5	$59.8	$47.8	$76.5	$70.2	2,767	2,521	2,404	3,654	3,528	32.0%	35.0%	31.5%	48.8%	47.8%
Cost per Carton (ex Cont)	$5.34	$4.72	$4.88	$5.34	$5.34										
Cost per Carton (Incl Cont)	$5.38	$4.74	$3.98	$4.19	$3.98										
* Based on Consumption Volume											8,638	7,206	7,633	7,486	7,379
Projected % of Annual (ex Cont)		29.6%	21.4%	26.0%	23.0%		31.6%	22.1%	24.5%	21.7%					
Projected 1st & 2nd Half % of Annual			51.0%		49.0%			53.8%		46.2%					
Projected % of Annual (Incl Cont)		23.5%	18.8%	30.1%	27.6%		20.8%	19.9%	30.2%	29.1%					
Projected 1st & 2nd Half % of Annual			42.3%		57.7%			40.7%		59.3%					

** 1992 Spending and PV associated with 12/92 Direct Marketing Price Increase response are included in Q1/93 and excluded from 1992, reflecting expected timing of program impact. Changes reflect anticipated carryover of approximately $7.0MM of on carton/on pack coupons from 1992 to 1993, funded from reduction in FSI's.

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Source: https://www.industrydocuments.ucsf.edu/docs/xrvn0000

PROMOTION SPENDING COMPARISON

Average '92 Quarterly Spending vs Planned 1993 Quarterly Spending

SALEM

	Total $					PV					% Volume Prom'd*				
	Avg '92 Qtr	Q1/93	Q2/93	Q3/93	Q4/93	Avg '92 Qtr	Q1/93	Q2/93	Q3/93	Q4/93	Avg '92 Qtr	Q1/93	Q2/93	Q3/93	Q4/93
Retail Promotion:															
Premiums	$8.8	$6.2	$2.3	$1.6	$1.5	174	106	47	28	25	2.8%	2.1%	0.9%	0.5%	0.5%
BSGSF (1)	3.2	0.1	2.3	0.4	3.4	230	4	120	20	184	3.8%	0.1%	2.2%	0.4%	3.8%
Coupons (2)	14.9	21.9	14.8	17.1	15.4	696	1,051	654	727	649	11.4%	20.5%	12.0%	13.7%	13.3%
Total Retail	26.9	28.2	19.4	19.1	20.3	1,100	1,161	821	775	858	18.0%	22.6%	15.1%	14.6%	17.6%
Direct Marketing**	0.7	5.4	4.7	2.6	3.4	14	205	183	94	118	0.2%	4.0%	3.4%	1.8%	2.4%
12/92 DM Price Increase Response**		1.4					54					1.1%			
Media Delivered	1.9	7.7	9.0	4.8	4.6	115	471	500	248	230	1.9%	9.2%	9.2%	4.7%	4.7%
Total Working Promotion (ex Cont)	29.5	42.7	33.1	26.5	28.3	1,229	1,891	1,504	1,117	1,206	20.1%	36.9%	27.7%	21.0%	24.8%
Continuity	6.6	0.3	0.9	4.3	4.2	418	34	87	506	549	6.8%	0.7%	1.6%	9.5%	11.3%
Total Working Promotion (Incl Cont)	$36.1	$43.0	$34.0	$30.8	$32.5	1,647	1,925	1,591	1,623	1,755	26.9%	37.5%	29.3%	30.5%	36.0%
Cost per Carton (ex Cont)	$4.80	$4.51	$4.40	$4.74	$4.69										
Cost per Carton (incl Cont)	$4.38	$4.46	$4.27	$3.80	$3.70										
* Based on Consumption Volume											6,113	5,131	5,434	5,320	4,871
Projected % of Annual (ex Cont)		32.7%	25.4%	20.3%	21.7%		33.1%	26.3%	19.5%	21.1%					
Projected 1st & 2nd Half % of Annual			58.0%		42.0%			59.4%		40.6%					
Projected % of Annual (Incl Cont)		30.6%	24.2%	22.0%	23.2%		27.9%	23.1%	23.5%	25.5%					
Projected 1st & 2nd Half % of Annual			54.9%		45.1%			51.0%		49.0%					

** 1992 Spending and PV associated with 12/92 Direct Marketing Price Increase response are included in Q1/93 and excluded from 1992, reflecting expected timing of program impact.

(1) Excludes B2G1F shipment costs for 1992 program from December, 1991 (Estimate = $3.5MM). Also, PV may be inflated because some portion of the B2G1F program was worked as B1G1F (size of B1G1F split tough to estimate).

(2) 1993 cost and PV include assumed 50% redemption of repeat purchase coupons delivered with Retail pack and carton coupons during Q1.

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Source: https://www.industrydocuments.ucsf.edu/docs/xrvn0000

PROMOTION SPENDING COMPARISON

Average '92 Quarterly Spending vs Planned 1993 Quarterly Spending

CAMEL	Total $					PV					% Volume Prom'd*				
	Avg '92 Qtr	Q1/93	Q2/93	Q3/93	Q4/93	Avg '92 Qtr	Q1/93	Q2/93	Q3/93	Q4/93	Avg '92 Qtr	Q1/93	Q2/93	Q3/93	Q4/93
Retail Promotion:															
Premiums	$22.0	$16.3	$13.6	$13.9	$6.1	433	464	315	368	172	8.4%	9.9%	6.1%	7.1%	3.4%
BSGSF	3.5	0.2	10.2	1.9	8.8	174	18	379	105	426	3.4%	0.4%	7.3%	2.0%	8.3%
Coupons	4.0	8.4	7.5	4.5	3.5	210	371	329	189	167	4.1%	7.9%	6.3%	3.6%	3.3%
Total Retail	29.5	25.0	31.3	20.2	18.4	817	852	1,023	662	765	15.9%	18.3%	19.7%	12.7%	14.9%
Direct Marketing**	4.1	10.6	2.9	6.4	2.2	63	189	63	162	7	1.2%	4.1%	1.2%	3.1%	0.1%
12/92 DM Price Increase Response**		1.1					45					1.0%			
Media Delivered	0.2		3.5			3			60		0.1%			1.2%	
Total Working Promotion (ex Cont)	33.7	36.7	37.7	26.6	20.6	883	1,087	1,086	884	772	17.2%	23.3%	20.9%	17.0%	15.1%
Continuity	25.4	21.2	26.0	11.5	11.6	1,730	1,300	1,400	1,350	1,350	33.7%	27.9%	27.0%	25.9%	26.4%
Total Working Promotion (incl Cont)	$59.1	$57.9	$63.7	$38.1	$32.2	2,613	2,387	2,486	2,234	2,122	50.9%	51.2%	47.9%	42.9%	41.5%
Cost per Carton (ex Cont)	$7.64	$6.75	$6.95	$6.03	$5.33										
Cost per Carton (incl Cont)	$4.53	$4.85	$5.13	$3.41	$3.03										
* Based on Consumption Volume											5,138	4,666	5,189	5,210	5,118
Projected % of Annual (ex Cont)		30.2%	31.0%	21.9%	16.9%		28.4%	28.4%	23.1%	20.2%					
Projected 1st & 2nd Half % of Annual			61.2%		38.8%			56.8%		43.2%					
Projected % of Annual (incl Cont)		30.2%	33.2%	19.9%	16.8%		25.9%	26.9%	24.2%	23.0%					
Projected 1st & 2nd Half % of Annual			63.4%		36.6%			52.8%		47.2%					

** 1992 Spending and PV associated with 12/92 Direct Marketing Price Increase response are included in Q1/93 and excluded from 1992, reflecting expected timing of program impact. Q1/93 reflects additional $3.5MM retail spending requested by brand (150MM PV)

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Source: https://www.industrydocuments.ucsf.edu/docs/xrvn0000

PROMOTION SPENDING COMPARISON

Average '92 Quarterly Spending vs Planned 1993 Quarterly Spending

VANTAGE

	Total $					PV					% Volume Prom'd*				
	Avg '92 Qtr	Q1/93	Q2/93	Q3/93	Q4/93	Avg '92 Qtr	Q1/93	Q2/93	Q3/93	Q4/93	Avg '92 Qtr	Q1/93	Q2/93	Q3/93	Q4/93
Retail Promotion:															
Premiums	$2.5	$1.5	$0.7	$0.4	$0.4	44	28	12	8	8	2.1%	1.7%	0.7%	0.5%	0.5%
BSGSF	0.7	1.0	0.6	0.7	0.7	39	74	36	36	36	1.9%	4.4%	2.1%	2.2%	2.3%
Coupons	6.9	7.4	4.9	3.5	3.1	370	330	235	166	146	18.0%	19.5%	13.9%	10.0%	9.5%
Total Retail	10.2	9.9	6.1	4.6	4.2	453	432	283	210	190	22.1%	25.6%	16.8%	12.7%	12.4%
Direct Marketing**	0.9	3.3	2.8	3.6	3.5	41	110	93	120	117	2.0%	6.5%	5.5%	7.2%	7.6%
12/92 DM Price Increase Response**		0.5					18					1.1%			
Media Delivered	3.5	2.8	4.6	2.5	2.5	193	129	190	103	103	9.4%	7.6%	11.3%	6.2%	6.7%
Total Working Promotion (ex Cont)	14.6	16.5	13.5	10.7	10.2	687	689	566	433	410	33.4%	40.8%	33.6%	26.1%	26.7%
Continuity	0.1					8					0.4%				
Total Working Promotion (incl Cont)	$14.6	$16.5	$13.5	$10.7	$10.2	695	689	566	433	410	33.8%	40.8%	33.6%	26.1%	26.7%
Cost per Carton (ex Cont)	$4.24	$4.78	$4.78	$4.95	$4.98										
Cost per Carton (incl Cont)	$4.21	$4.78	$4.78	$4.95	$4.98										
* Based on Consumption Volume											2,054	1,689	1,685	1,658	1,536
Projected % of Annual (ex Cont)		32.4%	26.6%	21.1%	20.0%		32.8%	27.0%	20.6%	19.5%					
Projected 1st & 2nd Half % of Annual			58.9%		41.1%			59.8%		40.2%					
Projected % of Annual (incl Cont)		32.4%	26.6%	21.1%	20.0%		32.8%	27.0%	20.6%	19.5%					
Projected 1st & 2nd Half % of Annual			58.9%		41.1%			59.8%		40.2%					

** 1992 Spending and PV associated with 12/92 Direct Marketing Price Increase response are included in Q1/93 and excluded from 1992, reflecting expected timing of program impact.

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Source: https://www.industrydocuments.ucsf.edu/docs/xrvn0000

PROMOTION SPENDING COMPARISON

Average '92 Quarterly Spending vs Planned 1993 Quarterly Spending

MORE

	Total $					PV					% Volume Prom'd*				
	Avg '92 Qtr	Q1/93	Q2/93	Q3/93	Q4/93	Avg '92 Qtr	Q1/93	Q2/93	Q3/93	Q4/93	Avg '92 Qtr	Q1/93	Q2/93	Q3/93	Q4/93
Retail Promotion:															
Premiums	$0.5	$0.3	$0.4			13	6	10			1.4%	0.8%	1.3%		
BSGSF	0.0	0.1				2	8				0.2%	1.1%			
Coupons	1.0	1.3	0.1	0.0	0.0	60	61	4	1	1	6.6%	8.1%	0.5%	0.1%	0.1%
Total Retail	1.5	1.7	0.5	0.0	0.0	75	75	14	1	1	8.2%	9.9%	1.8%	0.1%	0.1%
Direct Marketing**	1.5	1.6	1.6	1.7	1.6	68	48	70	66	69	7.4%	6.3%	8.9%	8.6%	9.9%
12/92 DM Price Increase Response**		0.2					9					1.2%			
Media Delivered															
Total Working Promotion (ex Cont)	3.0	3.5	2.2	1.7	1.7	143	132	84	67	70	15.6%	17.5%	10.6%	8.7%	10.0%
Continuity	0.4	0.1	0.1	0.1	0.1	23	8	8	8	8	2.5%	1.1%	1.0%	1.0%	1.1%
Total Working Promotion (Incl Cont)	$3.4	$3.6	$2.2	$1.8	$1.7	166	140	92	75	78	18.2%	18.5%	11.7%	9.8%	11.2%
Cost per Carton (ex Cont)	$4.23	$5.34	$5.15	$5.03	$4.71										
Cost per Carton (incl Cont)	$4.07	$5.15	$4.88	$4.71	$4.43										
* Based on Consumption Volume											914	756	789	769	699
Projected % of Annual (ex Cont)		39.1%	24.0%	18.7%	18.3%		37.4%	23.8%	19.0%	19.8%					
Projected 1st & 2nd Half % of Annual			63.0%		37.0%			61.2%		38.8%					
Projected % of Annual (incl Cont)		38.6%	24.0%	18.9%	18.5%		36.4%	23.9%	19.5%	20.3%					
Projected 1st & 2nd Half % of Annual			62.6%		37.4%			60.3%		39.7%					

** 1992 Spending and PV associated with 12/92 Direct Marketing Price Increase response are included in Q1/93 and excluded from 1992, reflecting expected timing of program impact.

Revised 20-Jan-93

Source: https://www.industrydocuments.ucsf.edu/docs/xrvn0000

PROMOTION SPENDING COMPARISON

Average '92 Quarterly Spending vs Planned 1993 Quarterly Spending

NOW

	Total $					PV					% Volume Prom'd*				
	Avg '92 Qtr	Q1/93	Q2/93	Q3/93	Q4/93	Avg '92 Qtr	Q1/93	Q2/93	Q3/93	Q4/93	Avg '92 Qtr	Q1/93	Q2/93	Q3/93	Q4/93
Retail Promotion:															
Premiums	$0.3	$0.5	$0.2			11	7	4			1.3%	1.0%	0.5%		
BSGSF	0.2	0.1	0.1			9	6	4			1.0%	0.8%	0.5%		
Coupons	2.0	2.0	1.2	1.2	0.2	120	96	61	60	8	13.7%	13.4%	8.4%	8.6%	1.3%
Total Retail	2.5	2.5	1.4	1.2	0.2	140	109	69	60	8	15.9%	15.3%	9.5%	8.6%	1.3%
Direct Marketing**	2.4	1.5	1.6	1.5	1.7	106	40	69	57	62	12.1%	5.6%	9.5%	8.1%	9.9%
12/92 DM Price Increase Response**		0.2					9					1.3%			
Media Delivered	1.4	1.6	1.6	0.3	1.3	79	90	90	14	71	9.0%	12.6%	12.3%	2.0%	11.3%
Total Working Promotion (ex Cont)	6.2	5.8	4.6	3.0	3.1	325	248	228	131	141	37.0%	34.7%	31.2%	18.7%	22.4%
Continuity	0.3	0.1	0.1	0.1	0.1	18	15	15	15	14	2.0%	2.1%	2.1%	2.1%	2.2%
Total Working Promotion (incl Cont)	$6.5	$6.0	$4.7	$3.1	$3.3	343	263	243	146	155	39.0%	36.8%	33.3%	20.8%	24.6%
Cost per Carton (ex Cont)	$3.84	$4.70	$4.04	$4.57	$4.45										
Cost per Carton (incl Cont)	$3.79	$4.55	$3.91	$4.30	$4.23										
* Based on Consumption Volume											879	714	730	701	629
Projected % of Annual (ex Cont)		35.2%	27.8%	18.1%	18.9%		33.2%	30.5%	17.5%	18.8%					
Projected 1st & 2nd Half % of Annual			63.0%		37.0%			63.6%		36.4%					
Projected % of Annual (incl Cont)		34.9%	27.7%	18.3%	19.1%		32.6%	30.1%	18.1%	19.2%					
Projected 1st & 2nd Half % of Annual			62.6%		37.4%			62.7%		37.3%					

** 1992 Spending and PV associated with 12/92 Direct Marketing Price Increase response are included in Q1/93 and excluded from 1992, reflecting expected timing of program impact.

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